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UNCLAS SECTION 01 OF 02 LILONGWE 000143

SIPDIS

SENSITIVE

STATE FOR AF/S ADRIENNE GALANEK AND BRUCE NEULING
TREASURY FOR INTERNATIONAL AFFAIRS / AFRICA / LUKAS KOHLER

E.O. 12958: N/A

TAGS: [KMCA](#) [EAGR](#) [ECON](#) [EAID](#) [PREL](#) [MI](#)

SUBJECT: MALAWI CROP ESTIMATE: SHORTAGE COMING

REF: A. 2004 LILONGWE 1089

[B](#). 2004 LILONGWE 1164

SUMMARY

[1](#). (U) Malawi's first crop estimates show a shortage of over 20 percent in maize, due mainly to late distribution of fertilizer and a developing dry spell. Grain stocks are adequate for now, though the hunger season is now reaching its peak. If the crop is seriously impaired, it may begin to impact the budget by mid-year, and a poor crop will likely weaken political support for ongoing reforms. End summary.

EARLY REPORTS: SHORT ON MAIZE

[2](#). (U) Malawi's Ministry of Agriculture recently released its first-round crop estimates for 2005, predicting annual production of 1.7 million metric (MT) tons of maize, against a requirement of 2.2 million MT. While the anticipated production is average for the past ten years, a strong start to the rainy season toward the end of 2004 had led GOM officials earlier to hope for a better-than-average crop. Since November, though, it has become clear that delays in the distribution of free targeted input packages (seed and fertilizer) have combined with a shortage of commercial fertilizer to constrain production (see reftels).

[3](#). (U) Other crops are also showing some decline in production. These include burley tobacco, Malawi's chief export, and sweet potatoes, a secondary food staple. Cassava, the second-largest food crop after maize, is expected to increase slightly at 2.6 million MT. Cotton, pulses, chillies, and groundnuts are all expected to register sizable increases over last year, owing mainly to increases in the acreage planted with these crops.

[4](#). (U) The early estimates may be in for a downward revision as a dry spell that began in late January continues beyond its usual period. Because Malawi has very limited irrigation, virtually all food production depends on rainfall.

ENOUGH FOOD FOR NOW

[5](#). (U) For now, the food supply in the country appears to be adequate. The GOM recently halted its planned purchase of 70,000 MT of maize intended for the commercial market, even though only 30,000 MT had been delivered. While the Government justified the move by citing suppliers' failure to deliver on schedule, it has also said that no further intervention is necessary. (NOTE: Donors have pressured the Government to limit its intervention in the commercial maize market. GOM interventions have in the past disrupted market mechanisms to the point of causing widespread food shortages. End note.)

[6](#). (U) While there is enough food in the country, not everyone can afford to buy it, and as subsistence farmers reach the end of their annual stores, hunger is beginning to spread. The need for humanitarian food relief this season is estimated at 56-83,000 MT, depending on how high food prices rise. As usual, the problem is most severe in the heavily populated southern districts.

COMMENT: POOR CROP MAY HOBBLE GOVERNMENT

[7](#). (SBU) The continued lack of food security in Malawi, even in a year of relatively good rainfall, remains a wild card for the Government's efforts at reform. Up to now, the new administration has done a fairly good job of keeping a lid on spending. Lower deficits have enabled the GOM to service a

massive load of inherited domestic debt, keep inflation to low double digits (currently 12-13 percent), and support the currency despite heavy foreign exchange pressure. While one hopes that the country will be in a stronger fiscal position by the next hunger season in late 2005, a poor crop in March-April 2005 could impact the budget by mid-year as the GOM tries to build its grain reserves with imports. None of this will make it easier for the GOM to channel resources to reform and development, where it needs to make visible progress. Perhaps more importantly, the political fallout from a poor crop could hit as Mutharika's honeymoon ends and the country settles in to the hard work of real reform.

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